

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR THE SIX-	)	
MONTH BILLING PERIOD ENDING DECEMBER	)	CASE NO.
31, 2013 AND THE PASS THROUGH MECHANISM	)	2014-00051
FOR ITS SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

ORDER

On August 25, 2015, the Commission issued a final Order in this matter that, *inter alia*, required East Kentucky Power Cooperative's ("EKPC") Member Cooperatives to include in their applicable environmental surcharge pass-through factors the monthly adjustments set forth in the Order's Appendix for a period of six months. On September 14, 2015, Farmers Rural Electric Cooperative Corporation ("Farmers RECC") and Owen Electric Cooperative, Inc. ("Owen Electric") tendered a petition for rehearing pursuant to KRS 278.400. On October 2, 2015, the Commission granted Farmers RECC's and Owen Electric's request for rehearing for the purpose of further examination and consideration.

Farmers RECC and Owen Electric have correctly pointed to an error in the Commission's August 25, 2015 Order. They noted that the Order requires them to refund 1/12<sup>th</sup> of their respective over-recoveries in equal amounts over a six-month period. Farmers RECC and Owen Electric also argued that the Order incorrectly states

that all of the Member Cooperatives requested a six-month amortization period, whereas Farmers RECC and Owen Electric requested to use a 12-month amortization period.<sup>1</sup> They stated that due to the magnitude of the over-collections a 12-month period is justified to mitigate volatility in customer bills, avoid swings between over/under-recoveries, and limit harm to their respective financial conditions. Farmers RECC and Owen Electric note that it is technically possible to comply with the Commission's Order, but that doing so would refund only half of the over-recoveries.

After considering Farmers RECC's and Owen Electric's petition for rehearing, and being otherwise sufficiently advised, the Commission finds that the petition should be granted due to the specific circumstances in this case. Both Farmers RECC and Owen Electric have accrued relatively large over-recoveries. Refunding of the over-recoveries over a six-month period will, as noted by the cooperatives, potentially impact their finances.<sup>2</sup>

The error in the Commission's August 25, 2015 Order required Farmers RECC and Owen Electric to refund 1/12<sup>th</sup> of their respective over-recoveries each month over a six-month period, leaving half of the over-recoveries remaining. Strict compliance with the Order as written would result in only half of their respective over-recoveries being refunded, in contravention of the purpose of KRS 278.183.

The Commission recognizes that utilizing a 12-month period will extend the period over which the over-recoveries are refunded to customers. However, based upon the factors presented, the Commission finds that usage of a 12-month period is

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<sup>1</sup> Farmers RECC response to Commission Staff's First Request for Information ("Staff's First Request"), Item 2.b.; Owen Electric's response to Staff's First Request, Item 2.b.

<sup>2</sup> *Id.*

warranted. Accordingly, due to the specific circumstances in this review proceeding, and for the reasons set forth above, the Commission will grant the motion for rehearing and permit Farmers RECC and Owen Electric to refund their over-recoveries over a 12-month period.

IT IS THEREFORE ORDERED that:

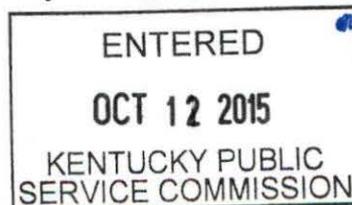
1. Farmers RECC's and Owen Electric's request to amortize their over-recoveries over a 12-month period is granted for this review proceeding.

2. Farmers RECC shall refund a total amount of \$604,892 to its customers through its monthly pass-through mechanism by decreasing its environmental surcharge revenue requirement by \$50,408 in each of the first 12 months following the Commission's order issued August 25, 2015.

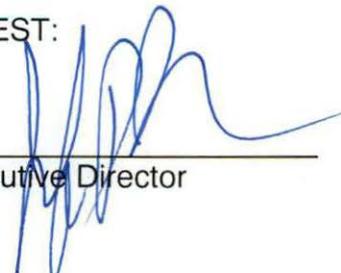
3. Owen Electric shall refund a total amount of \$1,754,800 to its customers through its monthly pass-through mechanism by decreasing its environmental surcharge revenue requirement by \$146,233 in each of the first 12 months following the Commission's Order issued August 25, 2015.

4. All other provisions of the Commission's August 25, 2015 Order not in conflict with this Order shall remain in full force and effect.

By the Commission



ATTEST:

  
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